

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name PRESQUE ISLE COUNTY	County PRESQUE ISLE
Audit Date 12/31/04	Opinion Date 3/4/05	Date Accountant Report Submitted to State: 6/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & CO., PLC			
Street Address 16978 S. RILEY AVENUE	City KINCHELOE	State MI	ZIP 49788
Accountant Signature <i>Anderson Tackman & Co PLC</i>		Date 6/29/05	

COUNTY OF PRESQUE ISLE, MICHIGAN

BASIC FINANCIAL STATEMENTS

December 31, 2004

PRESQUE ISLE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	ALLAN BRUDER
COMMISSIONER	MICHAEL DARGA
COMMISSIONER	STEPHEN LANG
COMMISSIONER	ROBERT SCHELL
COMMISSIONER	WALTER WENZEL
COMMISSIONER	GARY WOZNIAK

ELECTED OFFICIALS

COUNTY TREASURER	PATRICIA CORNETT
COUNTY CLERK	SUSAN M. RHODE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
County of Presque Isle, Michigan
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and aggregate remaining fund information of the County of Presque Isle, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the basic financial statements of the Presque Isle County Road Commission which represents 99% and 99% of the assets and revenues, respectively, of the Component Units. The Road Commission statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the County of Presque Isle, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A complete physical inventory of parts and materials was not performed by the County Road Commission as of December 31, 2004, and the Road Commission auditors were unable to satisfy themselves by means of other auditing procedures. The amount of the parts and materials inventory was \$579,009.

In our opinion, based on our audit and the report of the other auditors, except for the effects on the financial statements of the omissions and matters described in the preceding paragraphs and effects of such adjustments, if any, as might have been determined to be necessary had the inventories of the Road Commission been performed, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate remaining fund information of the County of Presque Isle, Michigan, as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The County of Presque Isle, Michigan, implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* as of January 1, 2004. This results in a changes in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2005 on our consideration of the County of Presque Isle, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Presque Isle, Michigan’s, basic financial statements. The individual major and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual major and combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

March 4, 2005

Basic Financial Statements

County of Presque Isle, Michigan

Statement of Net Assets

December 31, 2004

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Totals	
ASSETS:				
Cash & Investments	\$ 2,155,213	\$ 875,982	\$ 3,031,195	\$ 975,579
Receivables:				
Accounts	-	-	-	652,524
Taxes	2,929,584	596,341	3,525,925	-
Interest	142,750	-	142,750	1,662
Notes	-	-	-	46,637
Internal Loans	-	85,000	85,000	-
Due from Governmental Units	157,662	57,629	215,291	-
Prepaid Expenses	-	-	-	48,812
Inventory	-	-	-	579,009
Capital Assets (Net of Accumulated Depreciation)	1,927,393	1,897,416	3,824,809	19,869,295
TOTAL ASSETS	\$ 7,312,602	\$ 3,512,368	\$ 10,824,970	\$ 22,173,518
LIABILITIES:				
Current Liabilities:				
Internal Loans	\$ -	\$ 85,000	\$ 85,000	\$ -
Accounts Payable	77,339	-	77,339	89,893
Accrued Liabilities	-	-	-	19,466
Due to Governmental Units	-	37,760	37,760	-
Deferred Revenue	2,288,233	-	2,288,233	-
Installment Purchase Agreements Payable -Current	-	-	-	254,664
Notes Payable - Current	-	515,000	515,000	-
Compensated Absences - Current	-	-	-	19,500
Non-current Liabilities:				
Installment Purchase Agreements Payable	-	-	-	17,615
Compensated Absences	2,170	-	2,170	221,941
TOTAL LIABILITIES	2,367,742	637,760	3,005,502	623,079
NET ASSETS:				
Invested in Capital Assets (net of related debt)	1,927,393	1,897,416	3,824,809	19,597,016
Restricted for County Road	-	-	-	1,848,741
Restricted for Future Economic Development	-	-	-	7,980
Restricted for Capital Projects	533,742	-	533,742	-
Unrestricted	2,483,725	977,192	3,460,917	96,702
TOTAL NET ASSETS	\$ 4,944,860	\$ 2,874,608	\$ 7,819,468	\$ 21,550,439

County of Presque Isle, Michigan

Statement of Activities For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 81,061	\$ -	\$ -	\$ -	\$ (81,061)	\$ -	\$ (81,061)	\$ -
Judicial	768,641	232,916	213,270	-	(322,455)	-	(322,455)	-
General Government	1,378,452	391,119	300,972	-	(686,361)	-	(686,361)	-
Public Safety	1,299,137	84,010	329,540	67,903	(817,684)	-	(817,684)	-
Public Works	800	-	-	-	(800)	-	(800)	-
Health & Welfare	604,254	36,607	176,255	-	(391,392)	-	(391,392)	-
Community & Economic Development	386,801	-	320,531	-	(66,270)	-	(66,270)	-
Recreation & Culture	588,935	-	77,418	-	(511,517)	-	(511,517)	-
Other	1,210,023	6,702	29,719	-	(1,173,602)	-	(1,173,602)	-
Depreciation - Unallocated	57,651	-	-	-	(57,651)	-	(57,651)	-
Total Governmental Activities	6,375,755	751,354	1,447,705	67,903	(4,108,793)	-	(4,108,793)	-
Business-type activities:								
Airport	225,520	1,285	-	-	-	(224,235)	(224,235)	-
Tax Collection	68,271	78,239	-	-	-	9,968	9,968	-
Total Business-type Activities	293,791	79,524	-	-	-	(214,267)	(214,267)	-
Total Primary Government	\$ 6,669,546	\$ 830,878	\$ 1,447,705	\$ 67,903	(4,108,793)	(214,267)	(4,323,060)	-
Component Units:								
Road Commission	\$ 3,507,252	\$ 623,118	\$ 4,191,316	\$ -				1,307,182
Economic Development	20,601	2,370	29,424	-				11,193
Total Component Units	3,527,853	625,488	4,220,740	-				1,318,375
Total	\$ 10,197,399	\$ 1,456,366	\$ 5,668,445	\$ 67,903				
General Revenues:								
Taxes					4,216,913	-	4,216,913	-
State Revenue Sharing					166,011	-	166,011	-
Federal, State, & Local - General					632,624	62,632	695,256	41,809
Investment Earnings (Loss)					57,143	12,248	69,391	26,343
Transfers					214,054	(214,054)	-	-
Total General Revenues and Transfers					5,286,745	(139,174)	5,147,571	68,152
Change in Net Assets					1,177,952	(353,441)	824,511	1,386,527
Net Assets - Beginning					3,766,908	1,219,230	4,986,138	20,163,912
Prior Period Adjustment					-	2,008,819	2,008,819	-
Net Assets - Ending					\$ 4,944,860	\$ 2,874,608	\$ 7,819,468	\$ 21,550,439

See accompanying notes to financial statements.

County of Presque Isle, Michigan

Balance Sheet Governmental Funds December 31, 2004

	General	Revenue Sharing Reserve	County Foreclosure	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash & Investments	\$ 1,079,575	\$ 316,100	\$ 263,247	\$ 473,096	\$ 2,132,018
Receivables:					
Taxes	1,914,901	641,351	-	373,332	2,929,584
Loans	-	-	-	142,750	142,750
Due from Governmental Units	19,677	-	-	137,985	157,662
TOTAL ASSETS	<u>\$ 3,014,153</u>	<u>\$ 957,451</u>	<u>\$ 263,247</u>	<u>\$ 1,127,163</u>	<u>\$ 5,362,014</u>
LIABILITIES:					
Accounts Payable	-	-	-	77,339	77,339
Deferred Revenue	1,914,901	-	-	516,082	2,430,983
TOTAL LIABILITIES	<u>1,914,901</u>	<u>-</u>	<u>-</u>	<u>593,421</u>	<u>2,508,322</u>
FUND BALANCES:					
Designated for Special Purposes	-	-	-	533,742	533,742
Unreserved	1,099,252	957,451	263,247	-	2,319,950
TOTAL FUND BALANCES	<u>1,099,252</u>	<u>957,451</u>	<u>263,247</u>	<u>533,742</u>	<u>2,853,692</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,014,153</u>	<u>\$ 957,451</u>	<u>\$ 263,247</u>	<u>\$ 1,127,163</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:					
Capital assets used by governmental activities					1,927,393
Compensated absences liability					(2,170)
Other long-term assets not available to pay current expenditures and therefore deferred in the funds.					142,750
Internal service funds included in governmental activities					23,195
Net assets of governmental activities					<u>\$ 4,944,860</u>

County of Presque Isle, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2004

	General	Revenue Sharing Reserve	County Foreclosure	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 2,884,326	\$ 957,451	\$ -	\$ 232,386	\$ 4,074,163
Licenses & Permits	3,477	-	-	-	3,477
Federal Sources	9,825	-	-	577,850	587,675
State Sources	546,810	-	-	378,818	925,628
Local Sources	-	-	-	591,699	591,699
Charges for Services	379,975	-	193,248	157,238	730,461
Interest & Rentals	49,855	-	2,321	4,967	57,143
Fees and Collections	-	-	-	50,746	50,746
Fines and Forfeitures	4,758	-	-	12,658	17,416
Other Revenue	149,184	-	-	9,311	158,495
TOTAL REVENUES	4,028,210	957,451	195,569	2,015,673	7,196,903
EXPENDITURES:					
Legislative	81,061	-	-	-	81,061
Judicial	581,939	-	-	186,702	768,641
General Government	947,273	-	109,541	289,216	1,346,030
Public Safety	893,490	-	-	322,691	1,216,181
Public Works	-	-	-	800	800
Health & Welfare	31,500	-	-	572,754	604,254
Community & Economic Development	-	-	-	386,801	386,801
Recreation & Cultural	-	-	-	547,015	547,015
Capital Outlay	-	-	-	107,821	107,821
Other Expenditures	1,161,287	-	-	48,736	1,210,023
TOTAL EXPENDITURES	3,696,550	-	109,541	2,462,536	6,268,627
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	331,660	957,451	86,028	(446,863)	928,276
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	20,000	-	-	650,632	670,632
Operating Transfers Out	(345,000)	-	-	(126,578)	(471,578)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	6,660	957,451	86,028	77,191	1,127,330
FUND BALANCES, JANUARY 1	1,092,592	-	177,219	456,551	1,726,362
FUND BALANCES, DECEMBER 31	\$ 1,099,252	\$ 957,451	\$ 263,247	\$ 533,742	\$ 2,853,692

County of Presque Isle, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2004

Net Changes in fund balances - total governmental funds	\$ 1,127,330
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$165,824) exceeded capital outlay (\$84,611) in the current period.	(81,213)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(2,170)
Deferred Revenues recognized as earned income.	142,750
Internal Service Activity	<u>(8,745)</u>

Changes in net assets of governmental activities	<u><u>\$ 1,177,952</u></u>
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County of Presque Isle, Michigan

Statement of Net Assets Proprietary Funds December 31, 2004

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business-Type	Internal Service Fund
	Tax Collections	Airport		
ASSETS:				
Cash & Investments	\$ 786,597	\$ 89,385	\$ 875,982	\$ 23,195
Taxes Receivable	596,341	-	596,341	-
Due from Other Funds	85,000	-	85,000	-
Due from Other Governmental Units	57,629	-	57,629	-
Capital Assets, net of accumulated depreciation	-	1,897,416	1,897,416	37,167
TOTAL ASSETS	\$ 1,525,567	\$ 1,986,801	\$ 3,512,368	\$ 60,362
LIABILITIES:				
Due to Other Funds	\$ 50,000	\$ 35,000	\$ 85,000	\$ -
Due to Other Governmental Units	37,760	-	37,760	-
Notes Payable	515,000	-	515,000	-
TOTAL LIABILITIES	602,760	35,000	637,760	-
NET ASSETS:				
Invested in Capital Assets (net of related debt)	-	1,897,416	1,897,416	
Unrestricted	922,807	54,385	977,192	60,362
TOTAL NET ASSETS	\$ 922,807	\$ 1,951,801	\$ 2,874,608	\$ 60,362

County of Presque Isle, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2004

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business- Type	Internal Service Fund
	Tax Collections	Airport		
OPERATING REVENUES:				
Charges for Services	\$ 78,239	\$ 1,285	\$ 79,524	\$ 29,760
Interest & Rentals	61,266	-	61,266	-
Other Revenue	1,366	-	1,366	-
Total Operating Revenues	140,871	1,285	142,156	29,760
OPERATING EXPENSES:				
Depreciation	-	111,402	111,402	10,991
Professional and Contractual Services	-	-	-	4,846
General and Administrative	56,037	114,118	170,155	37,975
Total Operating Expenses	56,037	225,520	281,557	53,812
OPERATING INCOME (LOSS)	84,834	(224,235)	(139,401)	(24,052)
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	10,615	1,633	12,248	-
Interest Expense	(12,234)	-	(12,234)	307
Total Non-operating Revenues (Expenses)	(1,619)	1,633	14	307
Income (loss) before transfers	83,215	(222,602)	(139,387)	(23,745)
Operating Transfers In	5,282	59,000	64,282	15,000
Operating Transfers Out	(278,336)	-	(278,336)	-
CHANGE IN NET ASSETS	(189,839)	(163,602)	(353,441)	(8,745)
NET ASSETS, JANUARY 1	1,112,646	106,584	1,219,230	69,107
Prior Period Adjustment	-	2,008,819	2,008,819	-
NET ASSETS, DECEMBER 31	<u>\$ 922,807</u>	<u>\$ 1,951,801</u>	<u>\$ 2,874,608</u>	<u>\$ 60,362</u>

County of Presque Isle, Michigan

Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2004

	Business - Type Activities		Governmental Activities
	Enterprise Funds		
	Tax Collections	Airport	Total Business-Type Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 468,938	\$ 1,285	\$ 470,223
Payments to Suppliers	(592,128)	(114,118)	(706,246)
Internal Activity - Payments/Receipts with Other Funds	(35,000)	35,000	-
Net Cash Provided (Used) by Operating Activities	(158,190)	(77,833)	(236,023)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in	5,282	59,000	64,282
Operating transfers out	(278,336)	-	(278,336)
Net Cash Provided (Used) by Noncapital Financing Activities	(273,054)	59,000	(214,054)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Notes	935,000	-	935,000
Purchase of capital assets	-	-	-
Interest Payments	(12,234)	-	(12,234)
Principal Payments	(770,000)	-	(770,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	152,766	-	152,766
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	10,615	1,633	12,248
Net Cash Provided (Used) by Investing Activities	10,615	1,633	12,248
Net Increase (Decrease) in Cash and Cash Equivalents	(267,863)	(17,200)	(285,063)
Balances - Beginning of the Year	1,054,460	106,585	1,161,045
Balances - End of the Year	\$ 786,597	\$ 89,385	\$ 875,982
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 84,834	(224,235)	(139,401)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	111,402	111,402
Change in Assets and Liabilities:			
(Increase)Decrease in Assets:			
Taxes Receivable	(214,693)	-	(214,693)
Due from Other Funds	(85,000)	-	(85,000)
Due from Other Governmental Units	(27,869)	-	(27,869)
Other Assets	1,944	-	1,944
Increase(Decrease) in Liabilities:			
Due to other funds	50,000	35,000	85,000
Due to Other Governmental Units	32,594	-	32,594
Net Cash Provided by Operating Activities	(158,190)	(77,833)	(236,023)

See accompanying notes to financial statements.

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	Private Purpose Employee Retirement	Agency Funds
ASSETS:		
Cash & Investments:		
Unrestricted	\$ 6,949	\$ 514,184
 TOTAL ASSETS	 <u>\$ 6,949</u>	 <u>\$ 514,184</u>
 LIABILITIES:		
Due to Other Governmental Units	\$ -	\$ 6,473
Undistributed Tax Collections	-	385,516
Undistributed Receipts	<u>-</u>	<u>122,195</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>\$ 514,184</u>
 NET ASSETS:		
Held in Trust for Other Purposes	<u>\$ 6,949</u>	

**Statement of Changes in
Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004**

	<u>Private Purpose Employee Retirement</u>
ADDITIONS:	
Contributions:	
Employer & Employee	\$ 206,985
Total Contributions	<u>206,985</u>
DEDUCTIONS:	
Benefits	<u>200,036</u>
Total Deductions	<u>200,036</u>
Change in Net Assets	6,949
Net Assets, Beginning of the Year	<u>-</u>
Net Assets, End of the Year	<u>\$ 6,949</u>

Component Units

Statement of Net Assets
Component Units
December 31, 2004

	Road Commission	Economic Development Corporation	Totals
ASSETS:			
Cash & Investments - Unrestricted	\$ 917,534	\$ 50,065	\$ 967,599
Cash & Investments - Restricted	-	7,980	7,980
Receivables:			
Interest	1,662	-	1,662
Accounts	652,524	-	652,524
Notes	-	46,637	46,637
Inventory	579,009	-	579,009
Prepaid Expense	48,812	-	48,812
Capital Assets (net)	19,791,305	77,990	19,869,295
 TOTAL ASSETS	 <u>\$ 21,990,846</u>	 <u>\$ 182,672</u>	 <u>\$ 22,173,518</u>
 LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 89,893	\$ -	\$ 89,893
Accrued Liabilities	19,466	-	19,466
Compensated Absences - Current	19,500	-	19,500
Installment Purchase Agreements Payable	254,664	-	254,664
Compensated Absences	221,941	-	221,941
Installment Purchase Agreements Payable	17,615	-	17,615
 TOTAL LIABILITIES	 <u>623,079</u>	 <u>-</u>	 <u>623,079</u>
 NET ASSETS:			
Invested in Capital Assets, net of related debt	19,519,026	77,990	19,597,016
Restricted for County Road	1,848,741	-	1,848,741
Restricted for Future Economic Development	-	7,980	7,980
Unrestricted	-	96,702	96,702
 TOTAL NET ASSETS	 <u>21,367,767</u>	 <u>182,672</u>	 <u>21,550,439</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 21,990,846</u>	 <u>\$ 182,672</u>	 <u>\$ 22,173,518</u>

County of Presque Isle, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Total
Road Commission:							
Public Works	\$ 3,507,252	\$ 623,118	\$ 4,191,316	\$ -	\$ 1,307,182	\$ -	\$ 1,307,182
Economic Development Corporation							
Community/Economic Development	20,601	2,370	29,424	-	-	11,193	11,193
Total Component Units	<u>\$ 3,527,853</u>	<u>\$ 625,488</u>	<u>\$ 4,220,740</u>	<u>\$ -</u>	<u>1,307,182</u>	<u>11,193</u>	<u>1,318,375</u>
General Revenues:							
Investment Earnings					25,426	917	26,343
Other					41,809	-	41,809
Total General Revenues and Transfers					<u>67,235</u>	<u>917</u>	<u>68,152</u>
Change in Net Assets					1,374,417	12,110	1,386,527
Net Assets - Beginning					19,993,350	170,562	20,163,912
Net Assets - Ending					<u>\$ 21,367,767</u>	<u>\$ 182,672</u>	<u>\$ 21,550,439</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Presque Isle, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

Financial Reporting Entity

Presque Isle County was established under the authority granted by the Constitution and the State of Michigan. The County is governed by an elected Board of Commissioners. The County provides services to its residents in many areas including law enforcement, fire protection, community enrichment and development, and human services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14. The criteria was established for various governmental organizations to be included in the reporting entity's financial statement based on legal separation, financial accountability, and fiscal dependency.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County Development Commission:

The financial statements include the financial data of the Presque Isle County Development Commission ("Development Commission"). The Development Commission is an entity legally separate from the County, organized under the authority of Public Act 46 of 1966. It is governed by a Board appointed by the County Commission and is fiscally dependent of the County. Its primary purpose is to promote economic development within the County of Presque Isle. As such, it is reported as a Special Revenue Fund of the County; that is, a blended Component unit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Road Commission:

The basic financial statements include the financial data of the County's component unit, the Presque Isle County Road Commission (the "Road Commission"). This unit is reported in a separate column to emphasize that it is legally separate from the County.

The County appoints a majority of the members of the governing board of the Road Commission. The County also has the ability to significantly influence the operations of the Road Commission and must approve bonded debt. A complete financial statement of the Road Commission can be obtained from the Presque Isle County Road Commission, 657 S. Bradley Highway, Rogers City, Michigan, 49779.

Economic Development Corporation of Presque Isle County (EDCPIC):

The EDCPIC was created on June 29, 2000 pursuant to the provisions of the Economic Development Corporations Act, Act No. 338, Public Acts of 1974, as amended. The EDCPIC is an entity legally separate from the County. It is governed by a Board appointed by the County Commission and is fiscally independent of the County. Its primary purpose is to promote economic development within the County of Presque Isle.

Multi-County Agencies

The County participates jointly in the operation of the District Health Department #4 with Alpena, Cheboygan, and Montmorency Counties. All financial operations of the District Health Department are recorded in Alpena County. The funding formula requires the County to provide approximately 18% of the budget appropriations requirement, which amounted to \$107,356 for the year ended December 31, 2004.

The County participates jointly in the operation of the Northeast Michigan Community Mental Health Authority with Alpena, Alcona, and Montmorency Counties. All financial operations of the Authority are recorded in Alpena County. The funding formula requires the County to provide approximately 22% of the budget appropriation requirement, which amounted to \$54,499 for the year ended December 31, 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of account, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Presque Isle property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the County of Presque Isle as of the preceding December 31st.

Although the County of Presque Isle 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the County of Presque Isle's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the County of Presque Isle totaled \$506,900,558, on which ad valorem taxes levied consisted of 5.6665 mills for the County operating, 0.4865 mills for Senior Services, 0.25000 mills for H.U.N.T./Resource Officer, raising \$2,872,352 for operating, \$246,607 for Senior Services, and \$126,725 for H.U.N.T./Resource Officer. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County Foreclosure

This Fund accounts for receipts on properties sold for tax collections.

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the County.

Airport Fund

This fund accounts for operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Additionally, the County reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

Private Purpose Fund

This fund accounts for fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Compensated Absences: - Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Vacation days must be used each year, prior to the employee's anniversary date of employment. Each year County employees are given (12) twelve days of sick time. They may accumulate ½ day each month. Every January employees are paid 50% of any unused sick leave accumulated over the twelve days.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Cash Equivalents -					
Unrestricted	\$ 2,155,213	\$ 875,982	\$ 3,031,195	\$ 521,133	\$ 967,599
Restricted	-	-	-	-	7,980
Total	<u>\$ 2,155,213</u>	<u>\$ 875,982</u>	<u>\$ 3,031,195</u>	<u>\$ 521,133</u>	<u>\$ 975,579</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 3,027,950	\$ 521,133	\$ 975,379
Petty Cash and Cash on Hand	<u>3,245</u>	<u>-</u>	<u>200</u>
Total	<u>\$ 3,031,195</u>	<u>\$ 521,133</u>	<u>\$ 975,579</u>

Cash is restricted in the Economic Development Corporation for future economic development. In 2003 an individual donated money to be used only for future economic development, at December 31, 2004 \$7,980 remained to be loaned.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the County's primary and fiduciary deposits was \$3,549,083 and the bank balance was \$3,769,670. Of the bank balance, \$207,319, approximately 5.5%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, are as follows:

	General Fund	Revenue Sharing Reserve	Tax Collection	Non-Major and Other Funds	Total
Receivables:					
Taxes	\$ 1,914,901	\$ 641,351	\$ 596,341	\$ 373,332	\$ 3,525,925
Loans	-	-	-	142,750	142,750
Due from Others	19,677	-	57,629	137,985	215,291
Net Receivables	<u>\$ 1,934,578</u>	<u>\$ 641,351</u>	<u>\$ 653,970</u>	<u>\$ 654,067</u>	<u>\$ 3,883,966</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets being depreciated:				
Buildings and Building Improvements	\$ 2,162,933	\$ -	\$ -	\$ 2,162,933
Machinery and equipment	1,114,139	106,973	(135,614)	1,085,498
Subtotal	<u>3,277,072</u>	<u>106,973</u>	<u>(135,614)</u>	<u>3,248,431</u>
Governmental Activities:				
Less accumulated depreciation for:				
Buildings and Building Improvements	(700,369)	(67,884)	-	(768,253)
Machinery and equipment	(579,468)	(108,931)	135,614	(552,785)
Subtotal	<u>(1,279,837)</u>	<u>(176,815)</u>	<u>135,614</u>	<u>(1,321,038)</u>
Net Capital Assets Being Depreciated	<u>1,997,235</u>	<u>(69,842)</u>	<u>-</u>	<u>1,927,393</u>
Governmental Activity Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 1,997,235</u>	<u>\$ (69,842)</u>	<u>\$ -</u>	<u>\$ 1,927,393</u>

*Land and improvements were not capitalized during fiscal 2004, according to deferred provisions of GASB 34.

Business-type activities:

Capital assets being depreciated:				
Land and improvements	\$ 1,990,950	\$ -	\$ -	\$ 1,990,950
Building and Building Improvements	45,000	-	-	45,000
Equipment	162,000	-	-	162,000
Subtotal	<u>2,197,950</u>	<u>-</u>	<u>-</u>	<u>2,197,950</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Less accumulated depreciation for:				
Land and improvements	(155,196)	(99,548)	-	(254,745)
Buildings and Building Improvements	(23,136)	(1,054)	-	(24,190)
Equipment	<u>(10,800)</u>	<u>(10,800)</u>	<u>-</u>	<u>(21,600)</u>
Subtotal	<u>(189,132)</u>	<u>(111,402)</u>	<u>-</u>	<u>(300,535)</u>
Net Capital Assets Being Depreciated	<u>2,008,818</u>	<u>(111,402)</u>	<u>-</u>	<u>1,897,415</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 2,008,818</u>	<u>\$ (111,402)</u>	<u>\$ -</u>	<u>\$ 1,897,416</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 17,498
Public Safety	59,746
Park and Recreation	41,920
Unallocated	<u>57,651</u>

Total Governmental Activities \$ 176,815

The following is a summary of changes in fixed assets for the Presque Isle County Road Commission:

	<u>Beginning Balances 01/01/04</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances 12/31/04</u>
Capital Assets Not Being Depreciated				
Land and Improvements - Infrastructure	\$ 5,955,358	\$ 451,827	\$ -	\$ 6,407,185
Land and Improvements - Other	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>
Subtotal	<u>5,959,828</u>	<u>451,827</u>	<u>-</u>	<u>6,411,655</u>
Capital Assets Being Depreciated				
Depletable Assets	199,686	-	-	199,686
Buildings	854,494	-	-	854,494
Road Equipment	4,523,632	6,291	7,102	4,522,821
Shop Equipment	60,159	2,302	-	62,461
Office Equipment	16,430	-	-	16,430
Engineers Equipment	14,970	-	-	14,970
Infrastructure – Bridges	3,122,760	520,750	50,000	3,593,510
Infrastructure - Roads	<u>16,961,964</u>	<u>1,285,968</u>	<u>-</u>	<u>18,247,932</u>
Subtotal	<u>25,754,095</u>	<u>1,815,311</u>	<u>57,102</u>	<u>27,512,304</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	Beginning Balances 01/01/04	Additions	Adjustments/ Deductions	Ending Balances 12/31/04
Less Accumulated Depreciation				
Depletable Assets	63,616	15,418	-	79,034
Buildings	474,976	26,919	-	501,895
Road Equipment	3,301,909	447,357	7,102	3,742,164
Shop Equipment	47,418	2,383	-	49,801
Office Equipment	13,321	932	-	14,253
Engineers Equipment	10,143	1,311	-	11,454
Infrastructure – Bridges	1,924,241	56,796	50,000	1,931,037
Infrastructure - Roads	<u>6,901,917</u>	<u>901,099</u>	<u>-</u>	<u>7,803,016</u>
Subtotal	<u>12,737,541</u>	<u>1,452,215</u>	<u>57,102</u>	<u>14,132,654</u>
Net Capital Assets Being Depreciated	<u>13,016,554</u>	<u>363,096</u>	<u>-</u>	<u>13,379,650</u>
Total Net Capital Assets	<u>\$ 18,976,382</u>	<u>\$ 814,923</u>	<u>\$ -</u>	<u>\$ 19,791,305</u>

The following is a summary of changes for the Economic Development corporation of Presque Isle County:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	<u>\$ 77,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,990</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM	DUE TO OTHER FUNDS	
		Tax Collections
	2003 Tax Fund	\$ 50,000
	Airport	<u>35,000</u>
	Total	<u>\$ 85,000</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers

TRANSFERS IN	TRANSFERS OUT			
	General Fund	Tax Collections	All Others	Total
General Fund	\$ -	\$ 20,000	\$ -	\$ 20,000
Tax Collections	-	5,282	-	5,282
All Other	<u>345,000</u>	<u>253,054</u>	<u>126,578</u>	<u>724,632</u>
Total	<u>\$ 345,000</u>	<u>\$ 278,336</u>	<u>\$ 126,578</u>	<u>\$ 749,914</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities							
General Obligation Bonds							
2003 Tax Notes Series			\$ 350,000	\$ -	\$ (350,000)	\$ -	\$ -
2004 Tax Notes Series			<u>-</u>	<u>935,000</u>	<u>(420,000)</u>	<u>515,000</u>	<u>515,000</u>
Total Business-Type Activities			<u>\$ 350,000</u>	<u>\$ 935,000</u>	<u>\$ (770,000)</u>	<u>\$ 515,000</u>	<u>\$ 515,000</u>

A summary of vested benefits payable at December 31, 2004 is as follows:

Sick Leave	<u>\$ 2,170</u>
TOTALS	<u><u>\$ 2,170</u></u>

NOTE 8 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for claims and participates a risk pool for claims relating to the County. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2004.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2003 is as follows:

Courthouse Employees	10.03%
Sheriff Department	5.93%
Jail	8.77%
Elected and Appointed Officials	10.74%
Commissioners	0.00%

Annual Pension Cost

During the year ended December 31, 2004, the County's contributions totaling \$148,505 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 4,555,513	\$ 4,775,400	\$ 5,236,743
Actuarial Accrued Liability	5,057,473	5,576,722	6,154,873
Unfunded AAL	501,960	801,322	918,130
Funded Ratio	90%	86%	85%
Covered Payroll	1,632,456	1,734,696	1,779,910
UAAL as a Percentage of Covered Payroll	31%	46%	52%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**ROAD COMMISSION**Description of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission was required to contribute at an actuarially determined rate; the current rate was 14.64 percent for general employees and 7.28 percent for covered commissioners.

Annual Pension Cost

For year ended December 31, 2004, the Presque Isle County Road Commission's pension cost of \$153,246 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three Year Trend Information for GASB Statement No. 25

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	153,246	100%	\$0
2003	172,362	100%	0
2002	102,362	100%	0

NOTE 11 - RELATED PARTIES

The County conducts business with various local financial institutions as the County's depositories. Specifically, Huron National Bank and Citizen's National Bank hold deposits of the County, which at December 31, 2004 amounted to \$2,162,908 and \$588,764, respectively. Several County Commissioners and the County Treasurer are stockholders in Huron National Bank. Additionally, some County Commissioners own stock in Citizen's National Bank.

NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The General Fund budget is adopted at the functional level and the Special Revenue funds are adopted in total. During the year ended December 31, 2004, the County incurred expenditures in the County Foreclosure Fund which was in excess of the amount appropriated.

NOTE 13 - NOTES RECEIVABLE

The following is a summary of the notes receivable:

	<u>Balance 01/01/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/04</u>
Economic Development	\$ <u>9,438</u>	\$ <u>42,520</u>	\$ <u>(5,321)</u>	\$ <u>46,637</u>

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2004, the County implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant changes in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

Required Supplemental Information

County of Presque Isle, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,949,314	\$ 2,884,326	\$ 2,884,326	\$ -
Licenses & Permits	5,000	3,477	3,477	-
Federal Sources	3,500	9,825	9,825	-
State Sources	533,428	527,133	546,810	19,677
Charges for Services	368,004	379,975	379,975	-
Interest & Rentals	37,900	49,855	49,855	-
Fines & Forfeitures	23,000	4,758	4,758	-
Other Revenue	101,916	149,205	149,184	(21)
TOTAL REVENUES	4,022,062	4,008,554	4,028,210	19,656
EXPENDITURES:				
Legislative:				
Board of Commissioners	63,650	81,317	81,061	256
Judicial:				
Circuit Court	156,686	175,780	175,578	202
Family Court	124,976	119,405	119,327	78
District Court	132,735	150,927	150,874	53
Jury Board	5,235	4,615	4,595	20
Probate Court	109,749	112,634	112,438	196
Circuit Court Probation	6,900	6,312	6,310	2
Public Guardian	10,025	12,896	12,817	79
Total Judicial	546,306	582,569	581,939	630
General Government:				
County Clerk	150,207	153,334	153,299	35
Equalization	121,954	131,887	131,757	130
Prosecuting Attorney	238,093	239,831	239,221	610
County Surveyor	1,045	43,199	43,188	11
Treasurer	87,841	88,853	88,616	237
Cooperative Extension	79,088	82,004	81,720	284
Buildings & Grounds	99,828	119,320	119,078	242
Register of Deeds	91,641	89,163	89,037	126
Plat Board	300	-	-	-
Drain Commissioner	1,145	1,357	1,357	-
Total General Government	871,142	948,948	947,273	1,675

County of Presque Isle, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff/Marine/Snowmobile/Road	520,122	501,303	500,917	386
D.A.R.E.	31,046	45,192	45,175	17
Corrections - Jail	295,611	290,825	290,623	202
Emergency Services	10,520	10,125	10,084	41
Contagious Disease	500	-	-	-
Animal Control	45,094	46,878	46,691	187
Total Public Safety	902,893	894,323	893,490	833
Health & Welfare:				
Medical Examiner	13,800	16,053	16,021	32
State Institutions	9,500	4,220	4,217	3
Veterans Services	12,900	11,297	11,262	35
Total Health & Welfare	36,200	31,570	31,500	70
Other Expenditures:				
Health Insurance	522,600	484,876	484,873	3
Social Security	154,000	163,429	163,429	-
Retirement Benefits	142,200	148,506	148,505	1
Bonds and Insurance	81,795	114,703	114,702	1
Duplicating	11,800	15,137	15,081	56
Contingencies	161,360	26,743	-	26,743
Communications	36,800	21,770	21,511	259
Microfilming	30,000	-	-	-
Appropriations to Other Governmental Units	200,316	213,188	213,186	2
Total Other Expenditures	1,340,871	1,188,352	1,161,287	27,065
TOTAL EXPENDITURES	3,761,062	3,727,079	3,696,550	30,529
EXCESS OF REVENUES OVER EXPENDITURES	261,000	281,475	331,660	50,185
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	20,000	20,000	-
Operating Transfers Out	(261,000)	(345,000)	(345,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (43,525)	6,660	\$ 50,185
FUND BALANCE, JANUARY 1			1,092,592	
FUND BALANCE, DECEMBER 31			\$ 1,099,252	

County of Presque Isle, Michigan

Required Supplemental Information Budgetary Comparison Schedule Revenue Sharing Reserve Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	-	316,100	957,451	641,351
TOTAL REVENUES	<u>\$ -</u>	<u>\$ 316,100</u>	957,451	<u>\$ 641,351</u>
FUND BALANCE, JANUARY 1			-	
FUND BALANCE, DECEMBER 31			<u>\$ 957,451</u>	

County of Presque Isle, Michigan

Required Supplemental Information Budgetary Comparison Schedule County Foreclosure Fund Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for Services	-	-	193,248	193,248
Interest & Rentals	-	-	2,321	2,321
TOTAL REVENUES	-	-	195,569	195,569
EXPENDITURES:				
General Government	-	-	109,541	(109,541)
TOTAL EXPENDITURES	-	-	109,541	(109,541)
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	86,028	\$ 305,110
FUND BALANCE, JANUARY 1			177,219	
FUND BALANCE, DECEMBER 31			\$ 263,247	

Other Supplemental Information

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
ASSETS:									
Cash & Cash Equivalents	\$ 3,611	\$ 49,152	\$ 6,887	\$ 19,316	\$ 64,794	\$ 532	\$ 9,224	\$ 22,246	\$ 1,509
Taxes Receivable	-	-	-	-	-	-	-	-	-
Loan Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	21,252	15,172	-	-	-	-
TOTAL ASSETS	<u>\$ 3,611</u>	<u>\$ 49,152</u>	<u>\$ 6,887</u>	<u>\$ 40,568</u>	<u>\$ 79,966</u>	<u>\$ 532</u>	<u>\$ 9,224</u>	<u>\$ 22,246</u>	<u>\$ 1,509</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Designated	<u>3,611</u>	<u>49,152</u>	<u>6,887</u>	<u>40,568</u>	<u>79,966</u>	<u>532</u>	<u>9,224</u>	<u>22,246</u>	<u>1,509</u>
TOTAL FUND BALANCES	<u>3,611</u>	<u>49,152</u>	<u>6,887</u>	<u>40,568</u>	<u>79,966</u>	<u>532</u>	<u>9,224</u>	<u>22,246</u>	<u>1,509</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,611</u>	<u>\$ 49,152</u>	<u>\$ 6,887</u>	<u>\$ 40,568</u>	<u>\$ 79,966</u>	<u>\$ 532</u>	<u>\$ 9,224</u>	<u>\$ 22,246</u>	<u>\$ 1,509</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	S.R.O.- H.U.N.T.	State Grants	Multi-County Grant
ASSETS:									
Cash & Cash Equivalents	\$ 34,974	\$ 2,892	\$ 765	\$ 9,703	\$ 81	\$ 778	\$ 14,879	\$ 15,273	\$ -
Taxes Receivable	-	-	-	-	-	-	126,725	-	-
Loan Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	4,084	12,074
TOTAL ASSETS	<u>\$ 34,974</u>	<u>\$ 2,892</u>	<u>\$ 765</u>	<u>\$ 9,703</u>	<u>\$ 81</u>	<u>\$ 778</u>	<u>\$ 141,604</u>	<u>\$ 19,357</u>	<u>\$ 12,074</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,074
Deferred Revenue	-	-	-	-	-	-	126,725	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,725</u>	<u>-</u>	<u>12,074</u>
FUND BALANCES:									
Designated	34,974	2,892	765	9,703	81	778	14,879	19,357	-
TOTAL FUND BALANCES	<u>34,974</u>	<u>2,892</u>	<u>765</u>	<u>9,703</u>	<u>81</u>	<u>778</u>	<u>14,879</u>	<u>19,357</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,974</u>	<u>\$ 2,892</u>	<u>\$ 765</u>	<u>\$ 9,703</u>	<u>\$ 81</u>	<u>\$ 778</u>	<u>\$ 141,604</u>	<u>\$ 19,357</u>	<u>\$ 12,074</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds								
	Children's Trust	County Housing Commission	Housing Commission "F" - State	Family Independence Agency	Child Care	Veterans Trust	Jail Telephone Revenue	Senior Citizens	Capital Acquisitions
ASSETS:									
Cash & Cash Equivalents	\$ 53	\$ 107	\$ 3,049	\$ 23,278	\$ 725	\$ 358	\$ 6,738	\$ 752	\$ 34,949
Taxes Receivable	-	-	-	-	-	-	-	246,607	-
Loan Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	85,403	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 53</u>	<u>\$ 107</u>	<u>\$ 88,452</u>	<u>\$ 23,278</u>	<u>\$ 725</u>	<u>\$ 358</u>	<u>\$ 6,738</u>	<u>\$ 247,359</u>	<u>\$ 34,949</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ 65,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-	-	-	-	246,607	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>65,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,607</u>	<u>-</u>
FUND BALANCES:									
Designated	53	107	23,187	23,278	725	358	6,738	752	34,949
TOTAL FUND BALANCES	<u>53</u>	<u>107</u>	<u>23,187</u>	<u>23,278</u>	<u>725</u>	<u>358</u>	<u>6,738</u>	<u>752</u>	<u>34,949</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53</u>	<u>\$ 107</u>	<u>\$ 88,452</u>	<u>\$ 23,278</u>	<u>\$ 725</u>	<u>\$ 358</u>	<u>\$ 6,738</u>	<u>\$ 247,359</u>	<u>\$ 34,949</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		
	Courthouse Preservation	Emergency Services	Ocqueoc Recreation	Employee Termination	County Park Construction	Courthouse Construction	Totals
ASSETS:							
Cash & Cash Equivalents	\$ 32,710	\$ 44,922	\$ 5,336	\$ 8,592	\$ 50,800	\$ 4,111	\$ 473,096
Taxes Receivable	-	-	-	-	-	-	373,332
Loan Receivable	-	142,750	-	-	-	-	142,750
Due from Governmental Units	-	-	-	-	-	-	137,985
TOTAL ASSETS	<u>\$ 32,710</u>	<u>\$ 187,672</u>	<u>\$ 5,336</u>	<u>\$ 8,592</u>	<u>\$ 50,800</u>	<u>\$ 4,111</u>	<u>\$ 1,127,163</u>
LIABILITIES:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,339
Deferred Revenue	-	142,750	-	-	-	-	516,082
TOTAL LIABILITIES	<u>-</u>	<u>142,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593,421</u>
FUND BALANCES:							
Designated	32,710	44,922	5,336	8,592	50,800	4,111	533,742
TOTAL FUND BALANCES	<u>32,710</u>	<u>44,922</u>	<u>5,336</u>	<u>8,592</u>	<u>50,800</u>	<u>4,111</u>	<u>533,742</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,710</u>	<u>\$ 187,672</u>	<u>\$ 5,336</u>	<u>\$ 8,592</u>	<u>\$ 50,800</u>	<u>\$ 4,111</u>	<u>\$ 1,127,163</u>

County of Presque Isle, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Collections	-	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	136,951	-	-	-	-
State Sources	-	-	-	104,004	31,234	-	3,380	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	27,769	20,313	-	-	-	79,060
Fines and Penalties	-	-	-	-	-	-	-	-	-
Interest Income	-	677	103	617	604	99	50	60	-
Other Revenue	-	457	-	-	1,125	-	-	-	-
TOTAL REVENUES	-	1,134	103	132,390	190,227	99	3,430	60	79,060
EXPENDITURES:									
Judicial	-	-	-	-	169,578	-	-	-	-
General Government	-	31,769	-	-	-	-	-	-	97,723
Public Safety	-	-	-	166,850	-	-	-	-	-
Public Works	800	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	34,214	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	-
Recreational and Cultural	-	-	12,081	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	48,736	-
Capital Outlay	-	2,378	169	66,736	-	-	-	-	-
TOTAL EXPENDITURES	800	34,147	12,250	233,586	169,578	34,214	-	48,736	97,723
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(800)	(33,013)	(12,147)	(101,196)	20,649	(34,115)	3,430	(48,676)	(18,663)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	17,500	5,000	33,828	48,000	30,000	-	155,000	20,000
Operating Transfers Out	-	-	-	-	-	-	-	(92,750)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(800)	(15,513)	(7,147)	(67,368)	68,649	(4,115)	3,430	13,574	1,337
FUND BALANCES, JANUARY 1	4,411	64,665	14,034	107,936	11,317	4,647	5,794	8,672	172
FUND BALANCES, DECEMBER 31	\$ 3,611	\$ 49,152	\$ 6,887	\$ 40,568	\$ 79,966	\$ 532	\$ 9,224	\$ 22,246	\$ 1,509

County of Presque Isle, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	S.R.O.- H.U.N.T.	State Grants	Multi-County Grant
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and Collections	-	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	61,036	116,748	-
State Sources	-	-	-	2,483	-	-	-	-	-
Local Sources	38,742	240	-	-	-	39,948	4	-	474,129
Charges for Services	-	-	-	-	-	-	-	-	-
Fines and Penalties	-	-	450	-	2,500	-	-	-	-
Interest Income	342	472	-	67	-	-	-	-	-
Other Revenue	-	-	270	1,700	9	-	-	-	-
TOTAL REVENUES	39,084	712	720	4,250	2,509	39,948	61,040	116,748	474,129
EXPENDITURES:									
Judicial	-	-	-	-	17,124	-	-	-	-
General Government	30,664	-	-	-	-	39,370	-	-	-
Public Safety	-	-	-	3,583	-	-	76,155	71,511	-
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	89,468	-	-	-	-	-	-	-
Recreational and Cultural	-	-	-	-	-	-	-	-	474,129
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	3,662	-	-	-	-	-	-	-
TOTAL EXPENDITURES	30,664	93,130	-	3,583	17,124	39,370	76,155	71,511	474,129
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,420	(92,418)	720	667	(14,615)	578	(15,115)	45,237	-
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	92,750	-	2,000	14,500	-	6,000	-	-
Operating Transfers Out	-	-	-	-	-	-	-	(33,828)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	8,420	332	720	2,667	(115)	578	(9,115)	11,409	-
FUND BALANCES, JANUARY 1	26,554	2,560	45	7,036	196	200	23,994	7,948	-
FUND BALANCES, DECEMBER 31	\$ 34,974	\$ 2,892	\$ 765	\$ 9,703	\$ 81	\$ 778	\$ 14,879	\$ 19,357	\$ -

County of Presque Isle, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds								
	Children's Trust	County Housing Commission	Housing Commission "F" - State	Family Independence Agency	Child Care	Veterans Trust	Jail Telephone Revenue	Senior Citizens	Capital Acquisitions
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,386	\$ -
Fees and Collections	-	-	34,496	-	-	-	-	-	-
Federal Sources	-	-	263,115	-	-	-	-	-	-
State Sources	-	-	-	-	123,682	1,384	-	51,189	-
Local Sources	-	-	22,680	-	-	-	-	-	-
Charges for Services	-	-	-	3,900	18,487	-	7,709	-	-
Fines and Penalties	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	213	181	-	16	76	309
Other Revenue	-	-	-	-	1,333	-	-	461	-
TOTAL REVENUES	-	-	320,291	4,113	143,683	1,384	7,725	284,112	309
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	4,592	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	7,387	245,950	1,247	-	283,956	-
Community and Economic Development	-	-	297,333	-	-	-	-	-	-
Recreational and Cultural	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	297,333	7,387	245,950	1,247	4,592	283,956	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	22,958	(3,274)	(102,267)	137	3,133	156	309
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	5,000	101,000	-	-	-	13,000
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	22,958	1,726	(1,267)	137	3,133	156	13,309
FUND BALANCES, JANUARY 1	53	107	229	21,552	1,992	221	3,605	596	21,640
FUND BALANCES, DECEMBER 31	\$ 53	\$ 107	\$ 23,187	\$ 23,278	\$ 725	\$ 358	\$ 6,738	\$ 752	\$ 34,949

County of Presque Isle, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds			Debt Service Fund	Capital Project Funds		
	Courthouse Preservation	Emergency Services	Ocqueoc Recreation	Employee Termination	County Park Construction	Courthouse Construction	Totals
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,386
Fees and Collections	-	16,250	-	-	-	-	50,746
Federal Sources	-	-	-	-	-	-	577,850
State Sources	-	-	-	-	61,462	-	378,818
Local Sources	-	-	15,956	-	-	-	591,699
Charges for Services	-	-	-	-	-	-	157,238
Fines and Penalties	9,708	-	-	-	-	-	12,658
Interest Income	264	362	-	156	299	-	4,967
Other Revenue	-	-	2,685	-	1,271	-	9,311
TOTAL REVENUES	9,972	16,612	18,641	156	63,032	-	2,015,673
EXPENDITURES:							
Judicial	-	-	-	-	-	-	186,702
General Government	59,554	-	-	30,136	-	-	289,216
Public Safety	-	-	-	-	-	-	322,691
Public Works	-	-	-	-	-	-	800
Health and Welfare	-	-	-	-	-	-	572,754
Community and Economic Development	-	-	-	-	-	-	386,801
Recreational and Cultural	-	-	60,805	-	-	-	547,015
Appropriations to Other Governmental Units	-	-	-	-	-	-	48,736
Capital Outlay	-	-	-	-	34,876	-	107,821
TOTAL EXPENDITURES	59,554	-	60,805	30,136	34,876	-	2,462,536
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(49,582)	16,612	(42,164)	(29,980)	28,156	-	(446,863)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	59,554	-	47,500	-	-	-	650,632
Operating Transfers Out	-	-	-	-	-	-	(126,578)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	9,972	16,612	5,336	(29,980)	28,156	-	77,191
FUND BALANCES, JANUARY 1	22,738	28,310	-	38,572	22,644	4,111	456,551
FUND BALANCES, DECEMBER 31	\$ 32,710	\$ 44,922	\$ 5,336	\$ 8,592	\$ 50,800	\$ 4,111	\$ 533,742

County of Presque Isle, Michigan

Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2004

	Homestead Denial	2003 Tax Revolving	2004 Tax Revolving	Tax Revolving Reserve	2001 Tax Revolving	County Treasurers Admin	2002 Tax Revolving	Totals
ASSETS:								
Cash & Investments	\$ 2,099	\$ 96,369	\$ 1,998	\$ 503,385	\$ 129,273	\$ 7,012	\$ 46,461	\$ 786,597
Tax Receivable	-	536,091	-	11,211	-	-	49,039	596,341
Due from Other Funds	-	-	-	85,000	-	-	-	85,000
Due from Other Governmental Units	-	15,430	-	8,675	5,118	-	28,406	57,629
TOTAL ASSETS	\$ 2,099	\$ 647,890	\$ 1,998	\$ 608,271	\$ 134,391	\$ 7,012	\$ 123,906	\$ 1,525,567
LIABILITIES:								
Due to Other Funds	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Due to Other Governmental Units	2,099	22,477	1,967	3,069	3,797	-	4,351	37,760
Notes Payable	-	515,000	-	-	-	-	-	515,000
TOTAL LIABILITIES	2,099	587,477	1,967	3,069	3,797	-	4,351	602,760
NET ASSETS:								
Unrestricted	-	60,413	31	605,202	130,594	7,012	119,555	922,807
TOTAL NET ASSETS	-	60,413	31	605,202	130,594	7,012	119,555	922,807
TOTAL LIABILITIES AND NET ASSETS	\$ 2,099	\$ 647,890	\$ 1,998	\$ 608,271	\$ 134,391	\$ 7,012	\$ 123,906	\$ 1,525,567

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Year Ended December 31, 2004

	Homestead Denial	2003 Tax Revolving	2004 Tax Revolving	Tax Revolving Reserve	2001 Tax Revolving	County Treasurers Admin	2002 Tax Revolving	Totals
OPERATING REVENUES:								
Charges for Services	\$ -	\$ 35,672	\$ -	\$ 997	\$ 1,791	\$ -	\$ 39,779	\$ 78,239
Interest & Rentals	-	37,047	-	2,761	10,906	-	10,552	61,266
Other Revenue	-	778	-	588	-	-	-	1,366
TOTAL OPERATING REVENUES	-	73,497	-	4,346	12,697	-	50,331	140,871
OPERATING EXPENSES:								
General and Administrative	-	5,068	-	47,695	-	3,274	-	56,037
Total Operating Expenses	-	5,068	-	47,695	-	3,274	-	56,037
OPERATING INCOME (LOSS)	-	68,429	-	(43,349)	12,697	(3,274)	50,331	84,834
NON-OPERATING REVENUES (EXPENSES):								
Interest on Deposits	-	1,750	31	8,255	525	-	54	10,615
Interest Expense	-	(9,766)	-	-	-	-	(2,468)	(12,234)
Total Non-operating Revenues (Expenses)	-	(8,016)	31	8,255	525	-	(2,414)	(1,619)
Income (loss) before transfers	-	60,413	31	(35,094)	13,222	(3,274)	47,917	83,215
Operating Transfers In	-	-	-	-	-	5,282	-	5,282
Operating Transfers Out	-	-	-	(278,336)	-	-	-	(278,336)
CHANGE IN NET ASSETS	-	60,413	31	(313,430)	13,222	2,008	47,917	(189,839)
NET ASSETS, JANUARY 1	-	-	-	918,632	117,372	5,004	71,638	1,112,646
NET ASSETS, DECEMBER 31	\$ -	\$ 60,413	\$ 31	\$ 605,202	\$ 130,594	\$ 7,012	\$ 119,555	\$ 922,807

County of Presque Isle, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2004

	Homestead Denial	2003 Tax Revolving	2004 Tax Revolving	Tax Revolving Reserve	2001 Tax Revolving	County Treasurers Admin	2002 Tax Revolving	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from Customers	\$ 2,099	\$ 80,544	\$ 1,967	\$ 21,318	\$ 56,172	\$ -	\$ 306,838	\$ 468,938
Payments to Suppliers	-	(541,159)	-	(47,695)	-	(3,274)	-	(592,128)
Internal Activity - Payments/Receipts with Other Funds	-	50,000	-	(85,000)	-	-	-	(35,000)
Net Cash Provided (Used) by Operating Activities	2,099	(410,615)	1,967	(111,377)	56,172	(3,274)	306,838	(158,190)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Transfers In	-	-	-	-	-	5,282	-	5,282
Operating Transfers Out	-	-	-	(278,336)	-	-	-	(278,336)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	(278,336)	-	5,282	-	(273,054)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:								
Proceeds from Notes	-	935,000	-	-	-	-	-	935,000
Interest Paid	-	(9,766)	-	-	-	-	(2,468)	(12,234)
Principal Payments	-	(420,000)	-	-	-	-	(350,000)	(770,000)
Net Cash Provided (Used) by Capital Financing Activities	-	505,234	-	-	-	-	(352,468)	152,766
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	-	1,750	31	8,255	525	-	54	10,615
Net Cash Provided (Used) by Investing Activities	-	1,750	31	8,255	525	-	54	10,615
Net Increase (Decrease) in Cash and Cash Equivalents	2,099	96,369	1,998	(381,458)	56,697	2,008	(45,576)	(267,863)
Balances - Beginning of the Year	-	-	-	884,843	72,576	5,004	92,037	1,054,460
Balances - End of the Year	\$ 2,099	\$ 96,369	\$ 1,998	\$ 503,385	\$ 129,273	\$ 7,012	\$ 46,461	\$ 786,597
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities								
Operating Income (Loss)	\$ -	\$ 68,429	\$ -	\$ (43,349)	\$ 12,697	\$ (3,274)	\$ 50,331	\$ 84,834
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
(Increase)Decrease in Assets:								
Taxes Receivable	-	(536,091)	-	12,750	42,822	-	265,826	(214,693)
Due from Other Funds	-	-	-	(85,000)	-	-	-	(85,000)
Due from Other Governmental Units	2,099	(15,430)	1,967	310	(3,145)	-	(13,670)	(27,869)
Other Assets	-	-	-	1,944	-	-	-	1,944
Increase(Decrease) in Liabilities:								
Due to Other Governmental Units	-	22,477	-	1,968	3,798	-	4,351	32,594
Due to Other Funds	-	50,000	-	-	-	-	-	50,000
Net Cash Provided by Operating Activities	\$ 2,099	\$ (410,615)	\$ 1,967	\$ (111,377)	\$ 56,172	\$ (3,274)	\$ 306,838	\$ (158,190)

Statement of Net Assets
Internal Service Fund
December 31, 2004

	<u>Data Processing</u>
ASSETS:	
Cash & Investments - Unrestricted	\$ 23,195
Computer Equipment	57,870
Accumulated Depreciation	<u> (20,703)</u>
 TOTAL ASSETS	 <u><u>\$ 60,362</u></u>
 NET ASSETS:	
Unrestricted	<u>\$ 60,362</u>
 TOTAL NET ASSETS	 <u><u>\$ 60,362</u></u>

County of Presque Isle, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Fund For the Year Ended December 31, 2004

	Data Processing
OPERATING REVENUES:	
Charges for Services	\$ 29,760
TOTAL OPERATING REVENUES	29,760
OPERATING EXPENSES:	
General and Administrative	37,975
Professional and Contractual Services	4,846
Depreciation	10,991
Total Operating Expenses	53,812
OPERATING INCOME (LOSS)	(24,052)
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	307
Transfer In	15,000
Total Non-operating Revenue (Expenses)	15,307
CHANGE IN NET ASSETS	(8,745)
NET ASSETS, JANUARY 1	69,107
NET ASSETS, DECEMBER 31	\$ 60,362



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Presque Isle, Michigan
Rogers City, MI

We have audited the financial statements of the County of Presque Isle for the year ended December 31, 2004, and have issued our report thereon dated March 4, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with the U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Presque Isle's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether County of Presque Isle's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Presque Isle's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Presque Isle's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Presque Isle's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Presque Isle are described in Note 1. Several new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County of Presque Isle during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The County did implement provisions of GASB Statement #34.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Presque Isle's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Presque Isle, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Presque Isle's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Presque Isle's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Presque Isle County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Outstanding Court Bonds – Agency Fund (prior comment)

The Bonds Payable account could not be reconciled to subsidiary records as of December 31, 2002, 2003, and 2004. An immaterial variance existed as of the year-ends between the Agency Fund account in the general ledger and the subsidiary records. The County should first reconcile the variance and then continue to reconcile the balance at least quarterly. This procedure should help ensure that all court bonds are properly accounted for. The Clerk's office has begun the reconciling process, but it has not been completed as of the completion of fieldwork.

Status: Clerk has been gradually reconciling.

Child Care Fund (prior comment)

The County's shared child care fund contains numerous expenditure account numbers to track various kinds of salaries/ wages and care. Although the accounts appear to be sufficient, the coding of the expenditures to the accounts at the voucher level is very inconsistent. One voucher from Alpena will be extremely detailed using numerous account numbers. The next voucher may consolidate expenditures into just two or three accounts. As a result, one cannot reasonably compare expenditure totals in each account from one year to another.

We recognize that Presque Isle County is relying on the information provided by Alpena County with respect to coding in the accounting records. However, the County remains responsible to ensure that the Child Care Fund is fairly and accurately stated. To ensure a consistent accounting treatment of Child Care Fund expenditures, the County should meet with officials from Alpena County and agree on a uniform chart of accounts and uniform coding procedures for the Fund.

Status: No change.

DARE Fund (Prior Comment)

The DARE fund bank account is not recorded on the County books of record. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account.

Status: No change.

Flex One Account (Prior Comment)

The Flex One Plan bank account is not recorded on the County books of record. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account. The assets of the account are considered County funds and therefore required to be recorded.

Status: No change.

Payroll (Prior Comment)

It was noted while testing payroll that the County does not have a detailed listing of what individual and what account number each one's payroll expenditures are recorded in. It is recommended the County detail out what account number each W-2 paid employee's payroll expenditure is recorded in.

Status: No change.

County Development Commission (Prior Comment)

The County Development Commission revolving loan fund is not recorded on the County books of record. All funds utilizing the County's federal identification number should be recorded in the general ledger to provide proper financial reporting.

Status: No change.

Cash Balances (Prior Comment)

At year-end, the common checking account was out of balance. We recommend the county reconcile all accounts each month before proceeding to the next month.

Status: No change.

Housing Grant Fund (Prior Comment)

It was noted during a review of the financial status reports for the Community Development Block Grant that proper cut off is not used. The report included expenditures that were not yet incurred at the time of the report. It is recommended when completing the form that the request for advance line be used for future expenditures.

It was also noted that the proper supporting documentation was not always received prior to disbursement. It is recommended that checks do not be written unless there is an invoice or other supporting documentation.

Status: Significant changes have occurred during 2004.

Fixed Assets (Prior Comment)

During a review of the fixed assets of the data processing fund, it was noted several departments could not identify their fixed assets. It is recommended that each department maintain a detail listing of all equipment purchased and disposed.

Status: No change.

Land has not been included in the County's capital assets. It is recommended the County identify and value all land in the name of the County.

Policies

The County does not currently have a written policy outlining the procedures for the accrual of sick time payout upon termination or retirement. It is recommended the County adopt a policy.

The County does not currently have a capitalization policy. It is recommended the County adopt a policy stating what assets are to be capitalized including the procedure for depreciating those assets.

Payroll and Wage Reconciliation

Salaries and wages as reported in the general ledger did not reconcile to the Forms 941 Quarterly Wage Reports. A procedure should be implemented to agree amounts reported as wages in the general ledger to Quarterly Wage Reports according to IRS guidelines.

Economic Development Corporation

As of the end of the year, the Economic Development Corporation does not have prenumbered receipts. We recommend a prenumbered receipt book be purchased and used for all receipts of the Corporation. This will not only improve internal controls, but will provide a continuous receipt record reference.

The Corporation received a private donation for loans in 2003. The Loan Application Standards state that no single loan shall exceed \$20,000. During 2004, two loans were disbursed and both were over the \$20,000 maximum. We recommend the Loan Committee review the standards and adhere to the limits or amend the standards. We also recommend the donor be notified and request a waiver for the two loans disbursed in 2004 to comply with the donor's provisions.

Conclusion

This information is intended solely for the information of the Finance Committee, Board of Commissioners and management of the County of Presque Isle and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants

March 4, 2005